SUMMARY OF DISCUSSION BY NON-QUORUM  
ARIZONA STATE RETIREMENT SYSTEM (ASRS) EXTERNAL AFFAIRS COMMITTEE  
MEMBERS, ASRS STAFF, PRESENTERS, AND PUBLIC  

March 10, 2017  
10:30 a.m.  

A non-quorum of the External Affairs Committee (EAC) of the ASRS met in the 14th Floor Conference Room, 3300 North Central Avenue, Phoenix, AZ. Dr. Richard Jacob, Chair of the EAC, called the discussion to order at 10:35 a.m.

This discussion was teleconferenced to the ASRS Tucson office at 4400 East Broadway Boulevard, Suite 200, Tucson, Arizona, 85711.

1. Call to Order; Roll Call; Opening Remarks  

Present: Dr. Richard Jacob, Chair  
Mr. Tom Manos – Via Teleconference  

Two vacant positions  

When the discussion was called to order, a quorum was not present for the purpose of conducting business. Dr. Richard Jacob, Chair, opted to continue with the discussion and the dissemination of materials without a quorum.

2. Approval of the February 10, 2017 Summary of Discussion by Non-Quorum ASRS EAC Members, ASRS Staff, Presenters and Public  

Dr. Jacob accepted the February 10, 2017 Summary of Discussion by Non-Quorum ASRS EAC Members, ASRS Staff, Presenters, and Public, as written.

3. Presentation, Discussion and Appropriate Action Regarding 2017 Legislative Initiatives and Legislation affecting the ASRS  

Dr. Jacob introduced the topic of discussion and turned the meeting over to Mr. Nick Ponder, Government Relations Officer, to provide attendees with an update of the 2017 legislative initiatives and other legislation impacting the ASRS. Mr. Ponder noted the current legislative session is trending to be longer than usual, in part due to a delay in the budgeting process as the Senate is currently awaiting the budget from the House.

Mr. Ponder provided an update on the following bills:

With respect to HB2166, HB2167 and HB2168, Mr. Ponder advised attendees there has been no movement on these bills since the February 2017 Board Meeting; however, clarifications on
each bill in addition to an amendment on HB2166 have been discussed separately with State Representative Eddie Farnsworth and Senator David Farnsworth to ensure a thorough understanding of each bill and the reasoning behind each no vote during the recent House Read. Mr. Ponder advised attendees he feels the discussions with each party provided enough clarification to push the bills further for a final vote in the House after being passed out of Senate Finance and a Third Read vote in Senate.

**HB2166: ASRS; RETURN TO WORK** - Removes the words "in a position ordinarily filled by the employee of the employer" from Arizona Revised Statute (A.R.S.) § 38-766.02. The ASRS believes that by removing this language, it will close a loophole whereby employers were attempting to circumvent the payment of an Alternative Contribution Rate (ACR) through minor changes to a position's title or scope.

This bill moves to the Senate Finance Committee on March 15, 2017. The amendment the ASRS offered in the House but was not ultimately added will be offered in Senate Finance.

**HB2167: ASRS; CONTRIBUTIONS; ADJUSTMENTS** - Clarifies A.R.S. § 38-738 to ensure compliance with Internal Revenue Code (IRC). Under A.R.S. § 38-738(A) modifications are being made to clarify the method in which the ASRS can return monies to employers who have overpaid contributions, in compliance with IRC. Provisions to A.R.S. § 38-738(B) clarify that a correction of prior credited service must be repaid in compliance with the IRC and that members who are retired, inactive, or on long-term disability can only purchase this service using after tax monies. In addition, the bill ensures that individuals who forfeit their retirement account pursuant to A.R.S. § 38-742 can only request an adjustment in service [§ 38-738(B)] from their most recent membership date forward.

This bill moves to the Senate Finance Committee on March 15, 2017.

**HB2168: ASRS; REINSTATEMENT; CONTRIBUTION AMOUNT** - Proposed to modify the language in A.R.S. § 38-742 to indicate a member reinstating their service must repay the amount the "ASRS paid" rather than the amount received. The bill clarifies potential confusion in the referenced ASRS statute regarding the purchase of forfeited service. Currently, the statute indicates that a member must repay what was received in a refund, plus interest, in order to receive service credit for that period. However, there is potential for confusion in that under a Domestic Relations Order, an ex-spouse may receive a portion of the member's benefit that was assigned to the ex-spouse. One could argue that the statute only suggests the member repay what the member had received and not the total amount paid. This bill would clarify any confusion on the repayment amount.

This bill moves to the Senate Finance Committee on March 15, 2017.

**SB1052: ASRS; OPTIONAL RETIREMENT BENEFITS; OVERPAYMENT** – Permits the ASRS, for the purposes of retirement, to collect an overpayment from a member's Partial Lump Sum distribution before rolling the remaining monies into a qualified plan. For the purposes of refunds, allows the ASRS to collect an overpayment from a member's refund distribution before rolling the remaining monies into a qualified plan. This bill would allow the ASRS to collect overpaid Long Term Disability benefits from a lump sum distribution to the member.

This bill passed the House Banking and Insurance and is scheduled to be voted on by the full House.
SB1053: ASRS; BOARD POWERS - Permits the ASRS Board to establish a Committee of the Board for the purposes of making a determination following an administrative hearing for Articles 2.1 and 7 of Title 38, Chapter 5. These articles are related to Long Term Disability and Transfer appeals and were not included in the passing of SB1037, which permitted the ASRS Board to establish a Committee of the Board for agency determinations following administrative hearings. The passage of this bill would permit the Appeals Committee to hear all appeals under ASRS articles.

This bill passed the House Banking and Insurance and is scheduled to be voted on by the full House.

Mr. Ponder noted during the review of this bill the make-up of the ASRS board was brought into question by House Representative, Kelli Butler, who has taken an interest in Boards and Commissions not being occupied and the reasons why such vacancies have occurred. Mr. Ponder noted he understood the Governor’s Office to be working on securing two additional Board members for the ASRS, which he hopes will be completed sometime in the immediate near term.

Mr. Ponder added that because of the trend of registered no votes for a number of ASRS bills introduced this legislative session, he has taken up the opportunity to meet with legislatures to ensure he has a comprehensive understanding of the reasoning behind their no votes and to encourage them to vote yes on future readings.

SB1178: ASRS; NONPARTICIPATING EMPLOYERS; LIABILITY - Makes changes to and broadens the definition of a nonparticipating employer, to include scenarios not previously contemplated, for the purposes of charging a liability. The bill also provides clear changes to how the ASRS actuary would calculate a nonparticipating employer's liability and indicates the employer and employee contribution rate would remain the same as the plan contribution rate. However, the nonparticipating employer would be invoiced an additional amount annually to account for their share of the liability.

Mr. Ponder noted charter schools were originally in support of this bill but have recently opposed it due to ongoing discussions regarding whether charter schools should be contributing into the ASRS. Due to this opposition, Mr. Ponder has taken the liberty of discussing these concerns with the bill sponsor, Senator Debbie Lesko, the Chair of Senate Appropriations, and Mr. Ponder and Senator Lesko ultimately decided to hold off on the bill until the next legislative session, unless there is something that comes through in the budgeting process in which universities are attempting to extract themselves from the ASRS.

HB2010: ASRS; POLITICAL SUBDIVISION ENTITIES - States that new employees of political subdivision entities are excluded from membership in the ASRS. Employees who are currently members of the ASRS and become employed with a political subdivision entity or those currently employed with a political subdivision entity will maintain their membership in the ASRS.

This bill will not be moving forward this legislative session as the sponsor State Representative, Michelle Ugenti-Rita, noted there are not enough votes to move it forward for Third Read.

HB2169: ASRS; STATE RETIREMENT; WAITING PERIOD; REPEAL - Removes the 6-month waiting period for participation in the ASRS for state employees. In the 2011 Legislative Session, and effective July 20, 2011, a 6-month waiting period for participation in the ASRS was
passed for state employees. This bill repeals that waiting period going forward. Thus, if passed, on the effective date, any state employee who is within their first 6-months of employment will be immediately required to participate in the ASRS. This change would only apply to state employers, not political subdivisions.

This bill is scheduled for Senate Finance on March 15, 2017.

**SB1243: MISCONDUCT INVOLVING WEAPONS; PUBLIC PLACES** – Would have impacted the ASRS as it related to misconduct involving weapons in public places.

This bill failed on the Senate Third Read and will not be moving forward this legislative session.

**S1063: PSPRS; RISK POOL** – Does not impact the ASRS; however, this bill is follow-up bill relating to PSPRS in which there were discussion relating to how PSPRS would pool their employers. This bill creates a separate risk pool for employers who have fewer than 250 participants and for those who have greater than 250 participants.

This bill has moved to the House Banking and Insurance.

4. Call to the Public

There were no requests to speak from the members of the public.

5. Adjournment of the ASRS External Affairs Committee Meeting.

Dr. Jacob adjourned the discussion at 10:52 a.m.

Respectfully Submitted by,

Gloria Montiel
External Affairs Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM